

Brief Summary of Grid West RRG Meeting July 27, 2005

Introduction

This summary is intended to briefly describe the discussion during the July 27 meeting of the Grid West Regional Representatives Group (RRG). It is not intended to be a verbatim transcript of anyone's remarks, and it is not intended to suggest that any particular representative or entity at the RRG meeting agreed with or endorsed the views described in this summary.

Overview of July 27, 2005 Meeting

- The RRG met at the Portland Airport Sheraton Hotel in Portland, Oregon on Wednesday, July 27, from 9:30 a.m. to 4:15 p.m. PDT.
- Approximately sixty people attended the RRG meeting, including twenty-five designated RRG representatives. Three state representatives attended the meeting in person and five state representatives participated by phone.
- First, the RRG heard a summary of elements of the July 1, 2005 FERC "Declaratory Order Providing Guidance Concerning Grid West Proposal." FERC's determination and guidance in the declaratory order were explained and are summarized in Attachment A of the Integrated Proposal Description dated July 22, 2005.
- The Grid West coordinating team gave a slide presentation explaining elements of the Integrated Proposal for Decision Point 2, and answered a number of questions about the proposal. The integrated proposal description paper and slides are posted on the Grid West website at <http://www.gridwest.org/DP2Info.htm>.
- The RRG discussed a suggestion to consider modifying the nature and timing of Decision Point 2. Most RRG members advocated making a determination whether to move forward with Grid West at Decision Point 2 (under the auspices of the Developmental Board) on the schedule previously set out. The Grid West coordinating team will be available to provide educational briefings during August; RRG participants were encouraged to arrange for briefings about the Grid West proposal in preparation for Decision Point 2.
- A calendar of educational opportunities will be sent soon to the RRG. Two workshops and a conference call are scheduled in August for RRG participants to delve into more detail on certain elements of the Grid West proposal: August 11 TSLG workshop on estimated costs; August 11 attorneys' conference call on funding agreement package; and August 16 workshop on modeling of estimated benefits and assumptions of the analyses.
- Larry Klock, of the firm Russell Reynolds, updated RRG meeting participants on the search for Developmental Board candidates. Currently there is a broad list identifying persons who have expressed an interest in serving on the Developmental Board. The next step is to check references, verify that potential candidates do not have conflicts

of interest, talk with regional opinion leaders, and pare the list to candidates with the right temperament and skill sets.

- The next scheduled RRG meeting is Thursday, September 29, at the Sheraton Portland Airport Hotel. At this “Decision Point 2” meeting the RRG will give its assessment of whether Grid West development should move forward under the auspices of an independent, elected Developmental Board.

Summary of FERC Declaratory Order Providing Guidance on Grid West Proposal

Steve Larson, Pam Jacklin, and Malcolm McLellan described FERC’s July 1, 2005 “Declaratory Order Providing Guidance Concerning Grid West Proposal.” BPA, PacifiCorp, and Idaho Power Company filed a petition on April 28, 2005 seeking guidance on certain issues important to the future development of the Grid West proposal. In the view of the petitioners, FERC responded with positive guidance to the questions posed.

Steve Larson explained that the petitioners set forth six legal assumptions for the Commission and asked the Commission to provide guidance with respect to eight questions. Referring to Attachment A of the Integrated Proposal Description, Steve covered each assumption and question and briefly described the Commission’s determination.

Among other things, the Commission determined that Grid West governance satisfies independence standards. As contemplated Grid West will not be an RTO; Grid West will be an independent transmission provider with a tariff under Order 888 and as such it “would not be appropriate” to apply Order 2000 requirements. Transmission owners may continue as transmission providers for legacy transmission service commitments. With respect to BPA, the Commission has no authority to require changes to BPA legacy transmission agreements; and its jurisdiction does not extend to any changes in the contract between Bonneville and Grid West, which would affect Bonneville’s statutory requirements. The Commission acknowledged the petitioners’ preference for license plate rates, and said it would not impose a deadline to shift away from a license plate structure, i.e. the “Company Rate” approach may be extended indefinitely beyond eight years.

The RRG asked a number of clarifying questions. Petitioners responded that the Commission made significant precedential legal pronouncements. Although the Commission acknowledged that it cannot bind future Commissions, it would be difficult for future Commissions to act contrary to the policy and legal determinations in the order.

Attachment A, summarizing the declaratory order, is in the Integrated Proposal Description posted on the Grid West website at <http://www.gridwest.org/DP2Info.htm> . The declaratory order is also posted on this Decision Point 2 webpage.

Grid West is an Independent Transmission Provider (“ITP”): Bob Kahn suggested that the declaratory order is a milestone providing additional clarification that Grid West will be an independent transmission provider (not an RTO) – from now on Grid West should be called an independent transmission provider or ITP, not referred as an RTO. The RRG agreed that Grid West is and should be referred to as an independent transmission provider or ITP.

Presentation of Grid West Integrated Proposal Description and Questions

Using a slide presentation, members of the Grid West coordinating team presented the Grid West Integrated Proposal Description for Decision Point 2, which was posted on July 22, 2005.

The presentation covered background about the development of Grid West, details about the governance stages and structure, market and operational design, pricing and cost recovery, estimated benefits and costs, and an overview of the funding arrangements for the period between Decision Points 2 and 4. The 2-year funding commitment, explained by Ted Williams, Steve Larson, Pam Jacklin, and Steve Larson, was new material for the RRG; other elements of the proposal were presented at previous RRG meetings and seminars. All the information relevant to Decision Point 2, including the Integrated Proposal Description, the Regional Proposal, white papers, seminar materials, and information about the bylaws are posted on a Grid West webpage at <http://www.gridwest.org/DP2Info.htm>. The Funding Agreement documents were posted on August 1.

In summary, the proposal is a one-utility approach to transmission system operations and planning that is being designed by and for the region. The governance provides needed independence balanced with regional responsiveness. The market and operational design improves the regional function of the transmission system using a flow-based model of transmission usage. The pricing design eliminates rate pancakes and provides for transmission cost recovery. Preliminary estimated ranges of benefits and bottom-up cost estimates have been identified. Funding arrangements for the next developmental steps have been prepared. During the presentation, the team responded to clarifying questions asked by RRG participants.

Suggestion Regarding Decision Point 2

Linc Wolverton suggested that the information available so far is “not good enough” for a determination at Decision Point 2. He suggested “decision point 1.1” – delay electing the Developmental Board for several months to a year, and instead finish up open issues on design. This would also give more time for examination of the proposals of the Transmission Improvements Group (TIG). Steve Weiss pointed out that additional time for a side-by-side analysis of the alternatives would help people focus on this “big” decision. He supported taking another month or two. Wally Gibson also agreed that time was tight to thoroughly consider both Grid West’s and TIG’s proposals.

A number of RRG members said they were opposed to delaying Decision Point 2 or changing the nature of the decision. Many added that the Grid West proposal has been developed to a quality and depth that is sufficient to make a determination. A Decision Point 2 assessment should occur on September 29 as previously set out by the RRG. At that point, a determination should be made whether Grid West moves forward to elect the Developmental Board. Several members said they did not want to continue on parallel tracks pursuing more than one alternative beyond Decision Point 2.

Bud Krogh said he did not hear widespread support from the RRG to delay Decision Point 2. To help people become familiar with the Grid West proposal, the coordinating

team will make itself available to provide briefings and explanatory materials. The coordinating team will work on a summary of how the Grid West proposal contrasts with requirements for a FERC-approved RTO. Also, a calendar of August briefing activities will be provided.

Educational Briefings: Bud noted that a number of educational briefings are scheduled during August. Some sessions will have presentations by both Grid West and TIG. He encouraged everyone to take advantage of opportunities to learn in more depth about the Grid West proposal and TIG's proposals. Bud said the coordinating team is available for briefings and encouraged participants to contact the team to schedule an educational presentation.

TIG Workshops: TIG is presenting "detailed but high-level written proposals at two workshops" scheduled **August 3, 2005** at the Sheraton Portland Airport and **August 10, 2005** at the Doubletree Riverside in Boise.

Grid West Workshops: Grid West will hold two workshops and a conference call for participants to hear details and ask questions about certain elements of the proposal:
August 11, 2005 - TSLG workshop on estimated costs;
August 11, 2005 - attorneys' conference call on funding agreement package;
August 16, 2005 - workshop on modeling of estimated benefits.

Update on Search for Candidates for the Development Board

Larry Klock, from the firm Russell Reynolds, gave the RRG a status report on the search process for candidates for the Developmental Board. The individuals identified so far are the result of casting a broad net. The list includes all those who have expressed an interest in serving on the Grid West Board. The process of "winnowing" the list has not been started.

Mr. Klock orally gave an overview of the individuals on the broad list to illustrate the quality and quantity of individuals who are interested. He cautioned he did not want revelation of the list to result in lobbying at this point, although parties can email Larry with constructive observations.

The next step is to check backgrounds for conflicts, check references, and to talk with opinion leaders about how individuals are viewed by the region. The goal is to come up with a slate of candidates with the right temperament and skill sets, and who can bring out the best in others. In the next phase, there will be a matrix of attributes and skill sets of candidates under consideration.

Several RRG members commented that the preview of the broad list of interested individuals was both impressive and reassuring.

Upcoming Workshops and Conference Calls

Grid West Workshop on Cost Estimates – A TSLG workshop on the details of cost estimates for Grid West is Thursday, August 11, 2005, from 8:30 a.m. to 4:00 p.m. PDT at Grid West.

Conference Call about Funding Agreement for the 2-Year Development Period –

Attorneys for Grid West funding utilities will hold a conference call on Thursday, August 11, 2005, from 11:00 a.m. to 3:00 p.m. PDT to provide more details and answer questions about the funding documents.

Grid West Workshop on Modeling of Estimated Benefits – A workshop to provide more detail about the modeling of estimated benefits and assumptions of the analyses is Tuesday, August 16, 2005, from 8:30 a.m. to 5:00 p.m. PDT at Grid West.

September 29, 2005 RRG Meeting

An RRG meeting is scheduled for Thursday, September 29, 2005, from 8:30 a.m. to 5:00 p.m. PDT, at the Sheraton Portland Airport Hotel. This is the “Decision Point 2” meeting when RRG participants will give their assessment of whether Grid West development should move forward, beginning with the election of the Developmental Board.